

TO: INTERESTED PARTIES

FROM: LEE B. HARRIS
GENERAL COUNSEL

RE: REBATES TO UNLICENSED CORPORATIONS OR CLIENTS

Under Kentucky real estate license laws, it is illegal for a Kentucky licensed real estate broker to rebate any portion of his or her commission or fees to an unlicensed entity, such as a corporation, llc, partnership, etc., or to an unlicensed client or customer.

Regulation 201 KAR 11:121, Section 1(2) states that it is improper for any licensee to “offer, either through advertising, direct contact or by others, to the general public, any prize, money, free gift, *rebate* or any other thing of value...”

If a broker is dealing with the corporate real estate division of an unlicensed entity, that real estate division must be licensed or have a licensed broker in order to receive a referral fee. Otherwise, any payment to that real estate division would be deemed to be an illegal rebate. It is the responsibility of the Kentucky broker to seek evidence of licensure before paying any referral fees.

If a client or customer asks you to rebate any portion of your commission or fees, you must refuse and explain that such a rebate would be prohibited under Kentucky law. You may also refer that client or customer to the Kentucky Real Estate Commission’s legal staff for further explanation.